



OFFICE OF THE  
STATE AUDITOR

May 15, 2017

To the Board of Directors  
Heber Valley Historic Railroad Authority  
450 South 600 West  
Heber City, Utah 84032

Dear Board Members:

We have performed the procedures described below for the Heber Valley Historic Railroad Authority's (HVR's) credit card activity between October 2016 and January 2017 to determine whether HVR implemented recommendations issued in our "Review of Credit Card Internal Controls – Report No. MAO-16-OA3" dated September 14, 2016.

1. We reviewed the credit card policies drafted by HVR effective February 2017.
2. We reviewed credit card statements for October 2016 through January 2017 and agreed purchases reported on the statements to original receipts.

Based on our procedures, the current status of previously-reported recommendations are:

Finding #1, Inadequate Internal Control over Credit Cards

- *Create Written Credit Card Policies and Procedures.*
- *Retain original, itemized receipts and include with the reconciliation.*
- *Have a superior to the card holder reconcile the original receipts to the original statements monthly.*
- *Document reconciliation via reviewer signature and date.*
- *Dispute fraudulent transactions timely.*
- *Document attendees and purpose for business meals, as well as restrictions on amounts.*
- *Separate purchasing responsibility from receipting of goods and sign and date packing slips.*

HVR established written policies regarding credit card usage effective February 2017. However, certain recommendations weren't included in written policy such as: requiring signature or initials of the reconciliation reviewer; disputing fraudulent transactions in a timely manner; documenting attendees, purpose, and restrictions on allowable amounts for business meals; separating purchasing from the receipting of goods; and, signing and

dating the packing slip for all goods received. We also could not confirm that the Board of Directors has approved the new policies

HVR did establish policies regarding retaining all necessary receipts as well as reconciliations being completed by a director of the board.

Controls over reconciliations, reviews, and approvals, including the establishment of a board finance committee, did not occur until the time of our review.

*Recommendations:* We recommend HVR revise its policy to address control documentation, sharing/delegation, retention of original, itemized receipts, and appropriate documentation for unusual, travel, and meal transactions, and proper separation of purchasing/receipting of goods.

We also recommend the Board take a more active role in the establishment of effective policies and procedures.

#### Finding #2, Inadequate Purchasing Policies and Procedures

- *Implement Written Policies and Procedures Governing All Purchases.*

While HVR policies prohibit the use of HVR credit cards for personal expenses, they did not establish procedures governing all purchases. See discussion in Finding No. 1 above. Corrective action was not implemented.

#### Finding #3, Increased Risk by Using Credit Cards Versus Purchase Cards

- *Replace credit cards with p-cards.*

At the time of our review, the HVR board of directors had not considered and discussed the risks related to credit card use rather than purchase cards. We recommend the Board replace credit cards with p-cards.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of HVR's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of HVR's internal control, other matters might have come to our attention that would have been reported to you. We feel the findings outlined above are key internal control weaknesses at HVR. We recommend corrective action be taken to improve or fully implement our recommendations.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by HVR's personnel during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Hollie Andrus". The signature is written in a cursive style with a large initial "H".

Hollie Andrus, CPA, Audit Director  
Office of the State Auditor